

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JONATHAN CREEK WATER DISTRICT	)	
FOR CERTIFICATE OF PUBLIC CONVENIENCE AND	)	
NECESSITY, LONG TERM FINANCING BY KIA; A	)	CASE NO.
GENERAL RATE ADJUSTMENT AND REQUEST FOR A	)	94-073
VARIANCE ON FINANCIAL DATA SUBMITTED	)	

O R D E R

On February 22, 1994, Jonathan Creek Water District ("Jonathan Creek") requested authorization to construct two new wells, a 2 million gallon per day ("mgd") capacity water treatment plant with a 400,000-gallon clearwell, a booster pump station and to replace existing lines and main extensions. Jonathan Creek also includes in its application a request for authorization to build a line connecting Jonathan Creek with North Marshall Water District ("NMWD") although it appears that the construction has already occurred pursuant to an Agreed Order with the Natural Resources and Environmental Protection Cabinet, Division of Water.<sup>1</sup> Jonathan Creek further requests approval of its plan of financing for this project and for adjustment of its water service rates. The project funding includes a \$2,612,500 Kentucky Infrastructure Authority ("KIA") loan and a \$750,000 Community Development Block Grant ("CDBG"). The loan will be for a 20-year period at a projected

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<sup>1</sup> T.R., p. 42, Case No. 94-003, Application of North Marshall Water District for (1) Certificate of Public Convenience and Necessity (2) Approval of Financing Through K.I.A. (3) General Rate Increase and (4) Request for Approval of Variance on Financial Data, May 3, 1994 hearing.

interest rate of 6.5 percent. The actual interest rate is to be determined at the time of closing. The application was considered filed on March 23, 1994, when all deficiencies were cured.

Plans and specifications for the proposed improvements prepared by Florence and Hutcheson, Inc. of Paducah, Kentucky ("Engineer"), have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

Commission Staff conducted a limited financial review and cost-of-service study that resulted in issuance of a Commission Staff Report on June 10, 1994. Contained within the Staff Report was the recommendation that Jonathan Creek be allowed to increase its annual operating revenues to the requested amount of \$697,250. On June 27, 1994, Jonathan Creek and the Kentucky Department of Parks filed a Joint Notice and Motion accepting the findings and recommendations outlined in the Commission Staff Report.

The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that:

1. KRS 278.020 requires a utility to obtain approval of the Commission prior to beginning the construction of any facilities not constructed in the usual course of business. Since Jonathan Creek's pipeline connection to NMWD has already been constructed, no Certificate of Public Convenience and Necessity should be granted for that part of the application.

2. Jonathan Creek's construction of a pipeline connection to NMWD without a Certificate of Public Convenience and Necessity from

the Commission is an issue that should be investigated and resolved apart from this proceeding.

3. Apart from the connection to NMWD, public convenience and necessity require that the proposed construction be performed and that a Certificate of Public Convenience and Necessity be granted.

4. The proposed construction consists of replacement of 4.55 miles of 12-, 6-, and 3-inch diameter pipelines, two new wells, a 2 mgd water treatment plant with a 400,000-gallon clearwell, a booster pump station, and related appurtenances. After allowances are made for fees, contingencies, other indirect costs, the total cost of this project is approximately \$3,362,500.

5. Jonathan Creek should monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 5(1), Jonathan Creek should take immediate action to maintain the level of service in conformance with the regulations of the Commission.

6. Jonathan Creek should obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

7. Any deviation from the construction approved should occur only with the prior approval of the Commission.

8. Jonathan Creek should furnish duly verified documentation of the total costs of this project including the cost of construction and all other capitalized costs (engineering, legal,

administrative, etc.) within 60 days of the date that construction is substantially completed. Construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

9. Jonathan Creek should require construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering, to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

10. Jonathan Creek should require the Engineer to furnish within 60 days of the date of substantial completion of this construction a copy of the "as-built" drawings and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

11. The financing plan proposed by Jonathan Creek is for lawful objects within the corporate purpose of its utility operations, is necessary and appropriate for and consistent with the proper performance of the utility's service to the public, will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose. The financing plan should, therefore, be approved.

**IT IS THEREFORE ORDERED that:**

1. Jonathan Creek's request for a Certificate of Public Convenience and Necessity for the previously constructed pipeline connection to NMWD is hereby denied.

2. Jonathan Creek be and it hereby is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction project as set forth in the drawings and specifications of record herein for 4.55 miles of 12-, 6-, and 3-inch diameter pipelines, two new wells, a 2 mgd water treatment plant with a 400,000-gallon clearwell, a booster pump station and related appurtenances provided that service levels are monitored and corrective action taken in accordance with Commission regulations.

3. Jonathan Creek's financing plan consisting of a \$2,612,500 loan from KIA and \$750,000 CDBG fund is hereby approved. The financing herein approved shall be used only for the lawful purposes specified in Jonathan Creek's application.

4. Jonathan Creek shall comply with Findings 5 through 10.

5. The rates proposed by Jonathan Creek are hereby denied.

6. The rates contained in Appendix A, attached hereto and incorporated herein, are the fair, just, and reasonable rates to be charged by Jonathan Creek for service rendered on and after the date of this Order.

7. Within 30 days from the date of this Order, Jonathan Creek shall file with the Commission revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 8th day of August, 1994.

PUBLIC SERVICE COMMISSION

B. E. I. Dancy  
Chairman

Robert M. Dancy  
Vice Chairman

Linda K. Brantlett  
Commissioner

ATTEST:

Don Hill  
Executive Director

## APPENDIX A

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 94-073 DATED AUGUST 8, 1994

The following rates and charges are prescribed for the customers in the area served by Jonathan Creek Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

#### Monthly Customer Charge

5/8 Inch Meter	\$ 6.12
3/4 Inch Meter	8.02
1.0 Inch Meter	11.83
1.5 Inch Meter	21.36
2.0 Inch Meter	32.78
3.0 Inch Meter	59.45
6.0 Inch Meter	192.77

#### Water Charge:

All Usage	\$ 4.85 per 1,000 Gallons
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